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(9.) Canada Park

HOUSE OF COMMONS.

STANDING COMMITTEE

ON

Railways, Canals and Telegraph Lines.

PROCEEDINGS OF THE COMMITTEE.

RAILWAY COMMITTEE ROOM,
Ottawa, Tuesday, Dec. 3rd, 1867.

COMMITTEE MET.

Members present :

Hon. GEORGE ETIENNE CARTIER, Chairman.

Hon. Mr. Abbott,
Hon. Mr. Anglin,
Hon. Mr. Campbell,
Hon. Mr. Carling,
Hon. Mr. Chauveau,
Hon. Mr. Connell,
Hon. Mr. Dunkin,
Hon. Mr. Fisher,
Hon. Mr. Holton,
Hon. Mr. Howe,
Hon. Mr. Irvine.
Hon. Mr. Macdonald (Cornwall),
Hon. Sir J. A. Macdonald (Kingston),
Hon. Mr. Tupper,
Hon. Mr. Wood.

Mr. Blanchet,
Mr. Currier,
Mr. DeNiverville,
Mr. Gendron,
Mr. Jackson,
Mr. Joly,
Mr. Jones (Leeds and Grenville),
Mr. Macdonald (Glengarry),
Mr. Mackenzie,
Mr. Masson (Soulanges),
Mr. Robitaille,
Mr. Ryan,
Mr. Shanly,
Mr. Street,
Mr. Sylvain,
Mr. Walsh,
Mr. White,
Mr. Whitehead.—33.

A Quorum being present, the Committee proceeded to the consideration of Bill No. 10, to amend "The Grand Trunk Arrangements Act (1862)," and for other purposes.

The Preamble being read,

C. J. BRYDGES, Esquire, Managing Director of the Grand Trunk Railway, appeared and made the following Statement in support of the Preamble :—

With reference to the Bill now before the Committee, it may perhaps be convenient,

2

as all the gentlemen present are not fully acquainted with the matter, that I should state the history of the Grand Trunk Railway Arrangements Act of 1862, and the proceedings which have since, from time to time, taken place, in order that the present Bill, which is in the main a supplement to the Act of 1862, may be fully understood.

I suppose it is very well known to all the gentlemen here that the Grand Trunk Railway Company was, in the beginning of the year 1860, opened throughout. Parts of it had been previously running—some for a good many years—and upon those parts considerable wear and tear had taken place, rendering large outlays immediately necessary. The traffic anticipated when the line was undertaken, did not come up to the expectations, the trade of Canada not being sufficient to support the line, and it was not possible to secure sufficient through traffic to supply the deficiency which existed in the local trade of Canada. The result of those combined causes was, that in the year 1860, and the early part of 1861, the Company became entirely unable to meet its obligations. The interest upon its securities could not be paid, and the debts of the Company became most pressing and embarrassing. The Company, in the middle of 1861, owed upwards of £2,500,000 sterling. Judgments were obtained against the Company to very large amounts; the wages of the staff were frequently in arrear; accounts for supplies could not be promptly paid; the Company's credit in consequence was gone,—and at that time the closing of the line was imminent. In this state of affairs the bond and shareholders of the Company fully and completely examined into the position of their affairs, and after very lengthy discussions amongst themselves, agreed to certain arrangements which they asked the Parliament of Canada to enact, and which formed the Arrangements Act of 1862, the preamble of which was as follows :—

“ Whereas the interest on all the Bonds of the Grand Trunk Railway Company of Canada is in arrear, as well as the rent of the Railways leased to it, and the Company has also become deeply indebted, both in Canada and in England, on simple contract, to various persons and corporations, and several of the creditors have obtained judgments against it and much litigation is now pending; and whereas the keeping open of the Railway for traffic, which is of the utmost importance to the interests of the Province, is thereby imperilled, and the terms of a compromise have been provisionally settled between the different classes of creditors and the Company, but in order to facilitate and give effect to such compromise, the intervention of the Legislature of the Province is necessary; Therefore, &c.”

The clauses of that Act arranged an agreement between the holders of the different securities, that the interest which was not earned in cash should, during a period of ten years, be paid in certain securities defined in the Act itself. It was supposed by all parties who agreed to the compromise that it would take ten years for the gradual improvement of the property, so that it would, at the end of that time, earn enough profit to meet its interest obligations.

The mode of settling with the then creditors was all provided for in the Act.

After the Act was passed, the creditors were settled with. All the judgments obtained were released, and ever since, the interest not earned in each year has been paid in securities, as provided by the Act. The Act also gave authority to the Company to raise as a preference charge the sum of £500,000, to increase the accommodation of the line in the shape of stations, sidings, warehouses, &c., and to provide additional rolling stock.

For the year ending 30th June, 1861, the net profit earned was only £103,469, which was only enough to pay a portion of the money due to the leased lines.

The bonds for £500,000 authorized by the Act of 1862, have nearly all been issued, and the proceeds used in supplying increased facilities all along the line, and in making the following additions to the rolling stock, viz :—

In Engines, an increase of.....	18 per cent.
In Passenger Cars, do	34 do.
In Freight Cars, do	22 do.

With the aid of this outlay the gross traffic has been very largely increased indeed.

For the year ending 30th June, 1861, it was.....	£ 714,956
Whilst for the year ending June, 1867, it was.....	1,328,491
An increase of.....	£ 613,535

Equal to about 85 per cent.

In the net profit earned there has also been a very large gain indeed.

For the year 1861, adding the profit earned by the Buffalo and Lake Huron and Champlain Lines, the profits amounted to £138,207.

Whilst for the year ending June, 1867, the same system of lines worked together earned a profit of £264,069.

Shewing an increase of £125,862, or upwards of 90 per cent.

In arriving at these results of net profit, it is right that I should state the fact that out of the earnings of the line and from that source alone, there has been expended, in addition to all the usual expenses of working a railway from 1861 to 1867 inclusive (a period of seven years) upon the maintenance and repairs and improvement of the roadway, no less a sum than £1,569,078 Stg. That expenditure has, amongst other things, enabled the Company, in these seven years, to re-lay 718 miles of their Railway with new iron, and to put in 2,465,000 new sleepers, the latter having amounted to an entire renewal of the road, as regards hat item.

In addition again to that large outlay, and what has really been the main cause of the Company's embarrassments, the line has had to bear a frightful loss caused by the American war. No one could have foreseen when the Arrangements Act was agreed to that the American war would have assumed such vast proportions and produced such gigantic losses. The amount which the Company has lost by the depreciation of the American currency, in which alone their through traffic could be paid for, has amounted up to 30th June last to no less than £311,000. And in addition the Company has had to pay, in the shape of increased price for all labor and materials on the United States part of their line, and the consequent increase in the prices in Canada also, a further sum of £440,000. This amount represents the increased expenses thrown upon the cost of working the Railway, and is arrived at after deducting the increased rates, which, in some instances, the Company has been able to charge in part to meet the effects of the depreciated currency. The total loss sustained by the Company since the breaking out of the American war has been, therefore, no less than £750,000 stg., the whole of which has come out of the net profits of the line.

I noticed in reading the debate, which took place upon the second reading of this Bill, that a statement was made that not only was no interest paid upon any portion of the money expended in constructing the Railway, but that the expenses actually exceeded the receipts.

So far from that being the case it is the fact that during the seven years which ended upon 30th June, 1867, the Company has paid in cash, out of its net earnings, for dividends and interests upon various classes of the Company's securities no less a sum than £1,568,993 sterling.

As I mentioned some little time ago, in the year before that in which the Arrangements Act was passed, the amount of the net profit was only £103,469, which only covered the interest upon a capital of £872,000, whilst for the last year, ending the 30th June, 1867, the last date to which the accounts have been made up, interest has been paid upon different securities amounting in the aggregate to £5,500,000 sterling.

[At the request of Hon. Mr. Holton, Mr. Brydges then read a statement shewing the amount of the different securities making up this sum.]

I may also add that but for the loss caused by the American currency, and the increase expenses which it involved, the Company would now be paying interest upon a capital of between £9,000,000 and £10,000,000 instead of between £5,000,000 and £6,000,000.

At the time the Arrangement Act was passed in 1862, it was perfectly understood that hardly any interest was then being earned, and that securities for a certain length of time should be issued for interest which was due but not earned. Ten years was the time

allowed, and half of that period has expired. You now see what progress has been made, and it must rest, of course, with the results of the next five years, to see if the anticipations formed when the Arrangements Act was passed will be all realized.

The Company has now no floating debt; all its supply accounts and wages are promptly paid as due, and its credit in Canada is entirely re-established.

The equipment bonds, authorized by the Act of 1862, having now been nearly all issued, the Company desires to add still further to its rolling stock, hoping and believing that if it is better able to supply the wants of the trade of the country, and secure a larger share of through traffic as well, that it will in the next five years be able to pay interest upon a still larger proportion of the capital invested in it. To obtain this additional rolling stock, powers are required from Parliament, and I will now proceed to show that the present Bill is desired by those interested in the securities of the Company, and on whose behalf I now appear before the Committee to advocate its passage.

The discussion of the terms of the present Bill has been carried on for some time amongst the bondholders, &c., the necessity of raising more capital being admitted. These discussions were brought at length into a definite shape by the Board, in their report for the half-year ending 31st December, 1866, inserting the following clause upon the subject, viz.:—

“ Looking to the heavy loss which has during the last five years arisen from the condition of the American currency, to the pressure of the excessive outlay for renewals of the permanent way, to the impossibility of the Railway earning even the amount of revenue now become obtainable without an increasing quantity of rolling stock, and to the realization of the expectations so long formed of the construction of the Intercolonial Railway, the Board consider that the time has arrived for maturing a plan under which the progress of the traffic and the resources of the undertaking—now destined to become an integral portion of a great continental highway—shall be fully kept pace with. They will be prepared at the meeting to lay their recommendations before the bond and stock-holders for discussion. Any further legislation required will give an opportunity for obtaining power in reference to the general capital account, and if thought fit, as to the conversion of the Postal and Military Bonds also.”

The whole question was very fully discussed at the meeting at which that report was submitted, held in London, on the 18th April, 1867, when the following resolution was unanimously adopted, viz.:

“ That the Board be requested to consider whether any and what arrangement can now be made with advantage to the company, in regard to the General Capital Account, and the position of the Postal and Military Bonds, reporting to an adjourned meeting to be held at this place, on Thursday, the 30th day of May, next, at one o'clock, and that the Board be requested in the meantime to confer on these important subjects with some of the largest holders of each class of Bonds and Stocks, and that the meeting be adjourned accordingly.”

After that resolution was passed, the Board called a meeting of the holders of the Postal and Military bonds, and the plan for the arrangement of those bonds was agreed to. Subsequently a meeting of holders of all classes of securities was called, the parties present representing an aggregate sum of about £4,000,000 sterling of the Company's bonds, &c., and after considerable discussion and several meetings, the following resolution was unanimously adopted, viz.:

“ That it be recommended that powers be applied for in the ensuing Session of the Canadian Parliament to convert the Postal and Military Bonds (say) £1,200,000 into Equipment Mortgage Bonds, bearing a fixed rate of interest of (say) six per cent., and to raise a further sum of £480,000 Equipment Funds for the purposes of the Company; the whole issue of these Equipment Mortgage Bonds then being £1,700,000, payable 1st, out of the Postal and Military Revenue; and 2nd, if need be, out of the general net income.”

"That the Act be subject to the consent of the Postal and Military Bondholders, and "to a vote of three-fifths of the Bond and Stockholders present at a special meeting.

"Also that powers be applied to change the name of the Company to the 'Canadian Railway Company.'

The above resolution was afterwards made the subject of a special report by the Board to the adjourned meeting on the 30th May, 1867, when a large number of holders of all classes of securities being present, a resolution, almost identical with that passed by the Committee which I have just read, was adopted, with only nine dissentients.

The Board then proceeded to draw the Bill to carry out the arrangements agreed upon, and amongst other things included clauses, as recommended in their report in April, 1867, for the re-arrangement of the capital account of the Company. The bill was then referred to in the next report, that for the half-year ending 30th June last, which was laid before a general meeting of the board and shareholders, on the 30th October last. At that meeting it appeared that a considerable number present objected to the clauses relating to changes in the capital account of the Company, contending that the arrangement come to in 1862 was a compact which ought not to be disturbed until the ten years for which it was made had at any rate run its course. After considerable discussion a deputation was appointed by the meeting to confer with the Directors, and endeavour to arrive at a decision which should be satisfactory to all parties interested. The deputation then met the Board on the 5th November, and after a full discussion arrived at the conclusion which is recorded in the minute I hold in my hand but which it is not necessary for me to detain the Committee by reading at length. The bill now before the Committee is unanimously agreed to and I am instructed to urge its speedy passage.

All the reports I have referred to were printed, and on the face of each a copy of the notice convening the general meetings was printed. A copy of each report and notice was posted to every bond and share holder according to his registered address, so that the fullest notice has been given to every person interested.

I find I omitted to notice a matter which was referred to in the debate on the second reading, and which has very frequently been made the subject of remark in the press. I refer to the question of the comparative charges made for through and local freight. I see it was stated by one member that one cause of the embarrassments of the Company was that it carried through freight at rates which did not pay for the cost of carriage.

I am very glad indeed to have this opportunity of showing the entire mistake under which those statements are made, being as they are entirely opposed to the actual facts. For the last two years, at any rate, this Company has given in every way preference to the carriage of local freight as against through, although in doing so, in many cases, the through freight pays the best, both as regards the actual rates received and the long distances over which the through freight is carried. But the fact is, that through freight is only carried when sufficient local business does not exist to fully employ the Company's rolling stock, as happens to be the case at the present time.

And now I will quote some figures to shew what the relative rates are for through and local freight. Of course in summer when the local trade is very small, and there is no demand for our cars, we carry at lower rates from Sarnia than during the busy seasons of fall and spring. But during last month, when freights were heavy all over the continent, our rate on a barrel of American flour, from Sarnia to Portland, was \$1.50 a barrel or \$15 a ton. The distance is 795 miles which makes the rate very nearly two cents per ton per mile, or deducting the difference between gold and greenbacks upwards of one and a half cent per ton per mile in gold.

Now the winter rate on Canadian flour, from Toronto to Portland, is 85 cents a barrel or \$8.50 a ton, and the distance being 627 miles the rate is about one and a third cent per ton per mile.

From Guelph to Portland, a distance of 677 miles, the rate is about the same per ton per mile.

For shorter distances the rate is usually higher per mile, but between Toronto and Montreal the rates are slightly lower per mile.

The causes of these rates being so low is mainly in the fact that the Grand Trunk

runs for nearly its entire length alongside the most splendid water communication in the world, and higher rates, owing to that competition, cannot be obtained.

These low rates constitute the main reason why the percentage of the working charges of the Railway to its receipts is so high and why its profits are so small for the amount of work it performs for the public.

I have carefully examined into the facts, and I make the statement advisedly, that in addition to all the advantages which Canada has derived from the money expended in constructing the Grand Trunk Railway, that she gets her people and her produce carried by railway at lower rates than is the case in any other country in the world where Railways exist.

I will now briefly refer to the two other clauses in the Bill, relating to the Buffalo and Lake Huron and Champlain Companies.

The first is simply to do what is always done in English Railway Acts, authorize the two Companies whose union has been approved by Parliament, to mutually agree upon any changes that may be considered desirable in the internal arrangements of their terms of partnership.

The clauses which power is asked to change, with the consent of both Companies, relate only to the terms of their partnership, some points in which experience has shown may from time to time need alterations.

With regard to the Champlain Company, the clause proposes simply to enact that the option already possessed to purchase the shares of the Champlain Company at a certain price, may, with the consent of the shareholders of that Company, be extended from five years to ten.

The Committee deliberated, and

Ordered, That the Statement made by Mr. Brydges be printed, for the use of the Committee.

The Committee then adjourned until Thursday next, at 12 o'clock, noon.



1st Session, 1st Parliament, 31 Vic., 1867.

PROCEEDINGS

OF THE

Standing Committee on Railways,
Canals and Telegraph Lines.

Hon. Mr. CARTIER (Chairman).

OTTAWA :

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